

**GOVERNMENT OF ANDHRA PRADESH**

**Abstract**

Infrastructure and Investment Department – Setting up of LNG Terminal (FSRU) in the Coast of A.P. at Kakinada Deep Water Port through Special Purpose Vehicle promoted by Andhra Pradesh Gas Distribution Corporation Ltd. and GDF SUEZ LNG UK Ltd. - In principle approval for the project and other approvals / permissions – Accorded – Orders – Issued.

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**INFRASTRUCTURE AND INVESTMENT (AIRPORTS –A2) DEPARTMENT**

**G.O.Ms. No. 8**

**Date: 10-05-2013**

**Read the following:**

1. G.O.Ms.No.2, Infrastructure & Investment (Airports) Dept., Dt.28-02-2011.
- 2.G.O.Ms.No.10, Infrastructure & Investment (Airports) Dept., Dt.15-06-2011.
3. From the MD, APGDC Lr.No.24/APGDC/RLNG Terminal / 2012 dated 29-02-2012.
4. From the MD, APGDC Lr.No.24/APGDC/RLNG Terminal/2012/16 Dated.27-07-2012
5. From the MD, APGDC Lr. No.24/APGDC/RLNG Terminal/2012 dated.26-12-2012.
- 6.From the MD, APGDC, Lr.No.APGDC/MD/5100/2012-13, dated.11-03-2013.
- 7.From the MD, APGDC, Lr.No.APGDC/MD/5100/2012-13, dated.16-03-2013.
8. G.O.Ms.No.6, Infrastructure & Investment (P.II) Dept., dated 07-05-2013.

**ORDER :**

In the G.Os. 1<sup>st</sup> and 2<sup>nd</sup> read above, orders were issued creating Andhra Pradesh Gas Distribution Corporation Limited (APGDC), as a Joint Venture of Andhra Pradesh Gas Infrastructure Corporation Limited and GAIL (Gas) Ltd, for the exclusive job of laying and maintaining the “City or Local or District Gas Distribution Networks and other allied or related works as per the norms of Petroleum and Natural Gas Regulatory Board (PNGRB) or any other statutory regulatory body or Government of India.

2. The Managing Director, APGDC in his letter 3<sup>rd</sup> read above, has reported that APGDC has proposed to take up Floating type Liquefied Natural Gas importation Terminal i.e, Floating Storage and Re-gasification unit (FSRU) and land based LNG terminal subsequently in the Coast of Andhra Pradesh to ensure development of Natural Gas infrastructure in A.P State which will fulfill APGDC commitment undertaken in the Memorandum of Understanding (MoU) signed during Partnership Summit 2012. He has requested to accord in-principle approval to proceed further with detailed engineering studies and other economic studies of the project.

3. The Managing Director, APGDC in his letter 4<sup>th</sup> read above, has informed that M/s. GDF SUEZ LNG UK Limited (“GDF SUEZ”) has been selected as Strategic Partner for conducting a Detailed Feasibility Study and for formation of a Special Purpose Vehicle (“SPV”) for development of Floating Storage Re-gasification Unit (“FSRU”) Project initially and land-based Terminal subsequently by duly following International Competitive bidding.

4. The Managing Director, APGDC has stated that a team consisting of IIT Chennai and Indian Ports Association, New Delhi have recommended Kakinada Deep Water Port as the suitable location after detailed study for the project.

5. M/s Kakinada Sea Ports Ltd., have given their consent to APGDC for establishment of LNG FSRU Project through their proposed SPV, within the boundary limits of Kakinada Deep Water Port, specifically on the leeside of breakwater at Kakinada and authorized them to take necessary clearances from Ministry of Environment and Forest and other statutory Agencies, subject to the terms and conditions stipulated in the Concession Agreement entered between Government of Andhra Pradesh and Kakinada Sea Ports Limited (KSPL).

6. The Managing Director, APGDC has informed that the State is going to gain benefits, once the project is commissioned in the areas of Power, Fertilizer, Glass, Petrochemical and other industries, and substantial increase in the VAT revenue and requested the Government to issue orders according permission to incorporate a Special Purpose Vehicle to execute the Project (comprising initially an FSRU Terminal and subsequently a land-based LNG importation Terminal) with the equity structure as proposed by the APGDC. While stating that much progress has been made in the project viz., about the pre-feed studies conducted by the Owner Engineer M/s Worley Parsons, final draft Environmental Impact Assessment by M/s NEERI, Govt. of India, and draft CRZ report given by NIO, Government of India etc., the MD, APGDC has requested the Government to issue necessary orders in the matter.

7. The matter has been placed before the Andhra Pradesh Infrastructure Authority (APIA) Board Meeting held on 09-01-2013, and the A.P.I.A has cleared the proposal ‘In Principle’, subject to detailed

scrutiny. The Authority directed that the MOU with M/s KSPL should be signed only after taking Government approval and after taking APGDC's Board approval.

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8. In the letter 6th read above, the Managing Director, APGDC has furnished the broad targeted timelines subject to obtaining /granting of various approvals / permissions from Government of Andhra Pradesh and Government of India.

9. During the review meeting held by the Hon'ble Chief Minister on 12-02-2013 on the issues relating to Infrastructure & Investment Department, the progress on the FSRU Project was also discussed. It was explained that the MOU will be signed on the approval of the same by the Government. The amendments required in the Concession Agreement with KSPL were also explained. The Hon'ble Chief Minister, has directed all concerned to take expeditious action and complete the project on top priority. This was again reviewed by the Hon'ble Chief Minister on 23-04-2013. Based on the critical importance of this project and need to implement it as early as possible, the following course of action was suggested:

- (i) Government accord, in principle approval for (a) the proposed FSRU Project; and (b) formation of SPV between APGDC and GDF SUEZ
- (ii) APGDC be directed to submit draft Port Service Agreement to be entered into between APGDC / GDF SUEZ or its SPV & KSPL
- (iii) Department of Ports should take action to ensure that the Kakinada Port Master Plan is consistent with this project.

10. In the G.O. 8<sup>th</sup> read above, the Collector, East Godavari District, has been requested among other things to take necessary action to allot and handover the required land to the Director of Ports, Kakinada for the FSRU and land based LNG Terminal Project of APGDC without any hindrance.

11. Government after careful examination and keeping in view the interest of the State and taking into cognizance of the progress already made by APGDC and the need for early approval of the MOU to be entered between APGDC and KSPL, hereby issue the following orders ;

- (a) In Principle approval is accorded for the proposed FSRU project at Kakinada.
- (b) In Principle approval is accorded for formation of SPV between APGDC and GDF SUEZ for implementation of the project.
- (c) Approval is accorded for the proposed MOU to be signed between KSPL & APGDC along with Changes suggested in the draft MOU. It is also decided that Government will take further steps in case required, for operationalising the various clauses of MOU within a period of six months.
- (d) The APGDC shall submit the draft proposed Port Services Agreement to be entered between APGDC & GDF SUEZ or its SPV & KSPL for review and approval by GOAP to ensure and protect the revenue sharing by GOAP.
- (e) The Director of Ports, Kakinada shall take necessary action to ensure that the Master Plan of Kakinada Port is consistent with the proposed Project.

12. The Managing Director, APGDC shall submit the timelines for the project to ensure early completion of the FSRU Project and take further necessary action accordingly.

This order issues with the concurrence of the Finance Dept., vide U.O.No.2265/PFS/2013, Dated.10-05-2013.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**RAJIV RANJAN MISHRA  
PRINCIPAL SECRETARY TO GOVERNMENT**

To  
The Director of Ports, Kakinada.  
The Managing Director, AP Gas Distribution Corporation Limited, Hyd.  
The Chairman, M/s. Kakinada Sea Ports Limited.  
The Executive Director, A.P. Gas Infrastructure Corporation (P) Limited, Hyd.

Copy to:

The Secretary to C.M.  
The Collector, East Godavari District.  
PS to Prl. Secretary, Finance Dept.  
PS to Secretary, Legal, Law Dept.  
OSD to Minister (I&I)

**// Forwarded :: By Order //**

**SECTION OFFICER**